OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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March 31, 2013

Operations of the Office

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

July 2013

The Honourable Daryl Reid
Speaker of the House
Room 244, Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Sir:

It is an honour to present my report titled, *Operations of the Office for the year ended March 31, 2013*, for Members of the Legislative Assembly under Sections 26(2) and 28 of *The Auditor General Act*.

Respectfully submitted,

Carol Bellringer

Carol Bellringer, FCA, MBA
Auditor General

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Message from the Auditor General

I am pleased to provide the Legislature with our annual *Operations of the Office* report for the year ended March 31, 2013. It includes information about our Office, a list of audits completed during the year, a description of our work with the Public Accounts Committee, and a list of audits we will be completing in the future.

The main outcomes we strive for are helping the Legislature and improving public services. We do that by providing assurance on the completeness and accuracy of financial reports, issuing project audit reports publicly, and discussing those reports with members of the Public Accounts Committee and government officials.

To fulfil our role, we need to be an effective and efficient Office. Our management team guides the work of over 50 people. This is a small staff, considering the size of the Manitoba provincial public sector. But the audit and administrative staff continue to "punch above their weight" and let us contribute to the work of the Legislature. Many thanks to the management team for their hard work again this year—Jack Buckwold, Sandra Cohen, Greg MacBeth, Norm Ricard, Tyson Shtykalo and Brian Wirth. Jack retired during the year after 28 years of dedicated public service. We will miss his insights and his never-ending concern for taxpayer fairness.

We issued 3 public reports last year.

In September 2012, we issued a follow-up report on our December 2006 *Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices*. This report differs from our regular follow-up reports in that, for each recommendation, we describe the underlying issue and the significant actions of the Department of Family Services and Labour. A different report style was necessary because it was used by the *Commission of Inquiry into the Circumstances Surrounding the Death of Phoenix Sinclair* which was mandated to consider our 2006 report.

And in January 2013, we issued 2 public reports. One was a follow-up report of previously issued recommendations. The other was our Annual Report to the Legislature with 8 chapters as follows:

Chapter 1: Accounts and Financial Statements – *The Auditor General Act, Section 10 Annual Report*

Chapter 2: Citizen Concerns – *Departments of Innovation, Energy & Mines, Infrastructure and Transportation, Entrepreneurship, Training and Trade, and Local Government*

Chapter 3: Information Technology Security Management Practices – *Department of Innovation, Energy and Mines, Treasury Board Secretariat, Department of Finance and Civil Service Commission*

Chapter 4: Manitoba Early Learning and Child Care Program – *Department of Family Services and Labour*

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Chapter 5: Manitoba eHealth Procurement of Contractors – *Winnipeg Regional Health Authority*

Chapter 6: Office of the Fire Commissioner – *Departments of Family Services and Labour, and Finance*

Chapter 7: Provincial Nominee Program for Business – *Department of Entrepreneurship, Training and Trade*

Chapter 8: Senior Management Expense Policies – *Government Wide and Treasury Board Secretariat*

Over the next year, we expect to issue public reports on the following projects:

- Debts and deficits – a summary of the financial information and a discussion of the key factors that Legislators deciding on and assessing economic policies should consider.
- Framework for an ethical environment in government – the government's framework for ensuring all public servants have a strong understanding of the values and ethical expectations in the civil service.
- Industrial control systems – Manitoba Hydro's management of the cyber risks related to industrial control systems.
- Investigation of ATM fraud at Misericordia Health Centre and the Winnipeg Regional Health Authority's follow-up. (To date, we have been unable to obtain a copy of the forensic audit report prepared for the Misericordia Health Centre).
- Lake Manitoba Financial Assistance Program – the Department of Agriculture, Food and Rural Initiative's processes for managing certain types of 2011 flood claims.
- Managing the Province's Adult Offenders – the Department of Justice's systems and practices for managing adult correctional centre capacity, adult offenders in the community, and adult rehabilitation programs, plus related public performance reporting.
- MIT - Northern Airport – A forensic review of financial irregularities found within the Northern Airport in the Department of Infrastructure and Transportation.
- Rural Municipality of Lac du Bonnet – the RM's compliance with legislation and administrative practices.
- STARS air ambulance contract – the Department of Health's process to award the contract.
- Summary of results from investigations into citizen concerns.
- Waiving of Competitive Bids – the procurement practices at 5 departments and 3 special operating agencies (to ensure the waiving of competitive bids did not cause uneconomic or inequitable purchase of goods and services).

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Last year we reported that we will need to develop a process to review any reports sent to us under *The Public-Private Partnerships Transparency and Accountability Act*. We hired external consultants to help us develop our process. We have prepared a summary which we will send to appropriate officials and place on our website.

I recently announced my resignation from the Office effective March 31, 2014. It is not yet time to say good-bye, but I would again like to thank the many people who work tirelessly for the citizens of Manitoba and who make my job a rewarding one—members of the Legislative Assembly and in particular the Public Accounts Committee; staff, officials and board members in central government and government organizations; and each and every person in the Office of the Auditor General.

Carol Bellringer, FCA, MBA
Auditor General

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1.0 Our role and purpose

Our mandate

The Auditor General Act (Appendix A) establishes the Office of the Auditor General as an independent office, reporting to the Legislative Assembly. The Auditor General is appointed for a 10-year renewable term. I was appointed in July 2006 and had previously worked in the Office from 1988 - 1996.

The Act outlines our responsibilities and authorities to audit financial statements, select and audit other projects, and conduct special audits on request.

We are responsible, under Section 9 of the Act, to examine and audit the financial statements in the Public Accounts under *The Financial Administration Act*, and any other statements the Minister of Finance presents for audit. The output from these audits is an opinion on the fairness of presentation of the financial statements or other financial information.

The Auditor General also has the authority, under the Act, to audit all government organizations (Section 14) and recipients of public money (Section 15) and to provide Members of the Legislature and officials with independent information, advice, and assurance on whether:

- financial and administrative legislation, regulations, policies and directives have been complied with.
- public money has been spent with proper regard for economy and efficiency.
- the Legislative Assembly has been provided with appropriate accountability information.
- the form and content of financial information documents is adequate and suitable.

To select these other audits, we consider a number of factors, including risk and significance of the subject matter, potential impact of our audit work, public interest, and staff availability.

Section 16 of *The Auditor General Act* permits the Lieutenant Governor in Council (Cabinet), the Minister of Finance, or the Public Accounts Committee to request a Special Audit. We must accept these requests unless they interfere with our primary responsibilities. This is an important opportunity for the Legislature to use the skills in our Office, combined with our legal access to documents and examination powers under Part V of *The Evidence Act*. During the 2012/13 year, the Minister of Finance requested that we perform a forensic review of financial irregularities within the Northern Airport in the Department of Infrastructure and Transportation. We are now conducting that audit.

The Act gives responsibility for internal operations of the Office to the Auditor General. A copy of the Act is in Appendix A.

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Our vision

The Office of the Auditor General is an accessible, transparent and independent audit office, serving the Manitoba Legislature with the highest standard of professional excellence.

Our desired outcomes

- Government organizations focus on results.
- Government organizations produce meaningful, user-friendly performance reports for the public.
- the Public Accounts Committee and the Legislative Assembly closely monitor the spending of public funds.

Our objectives

- add value to the management systems and practices of government organizations.
- provide Members of the Legislative Assembly with relevant information.
- manage our internal business effectively.

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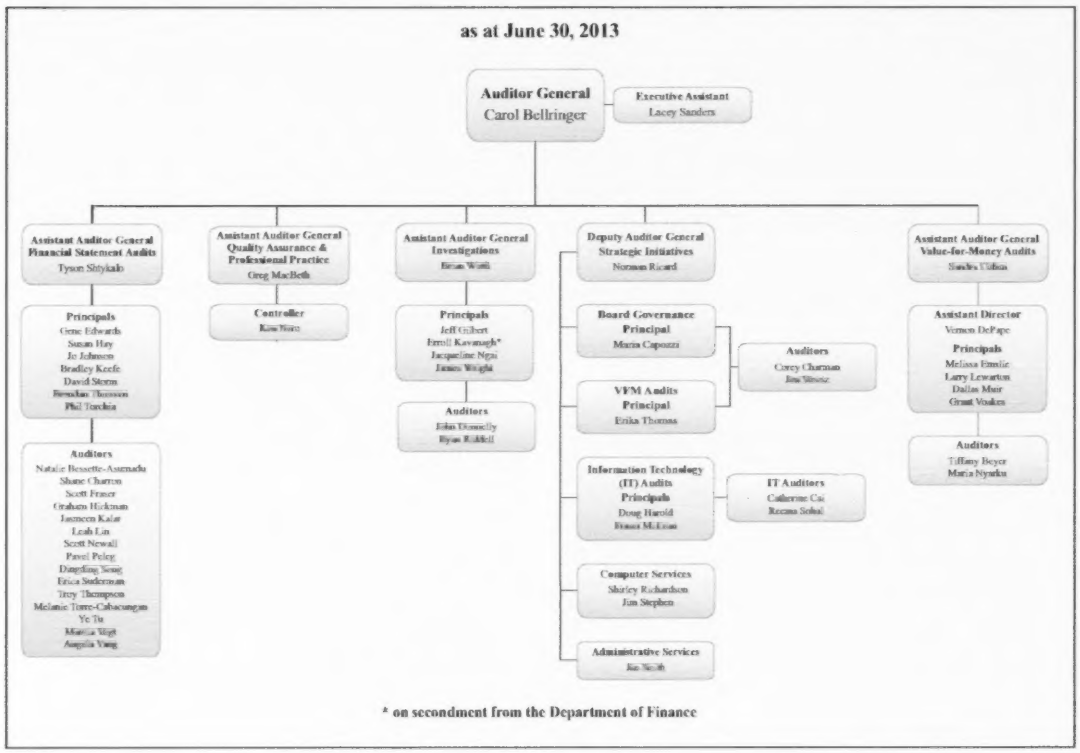
Organizational structure

Our organizational structure and members of our staff as at July 31, 2013 are presented below.



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2.0 The Public Accounts Committee of the Legislature

Role – the Public Accounts Committee (PAC) of the Legislature is an all-party Standing Committee of the Legislature. Its primary role is to examine the financial administration of public assets and spending of public funds. All our reports are referred to the PAC. During its meetings, the PAC considers our audit reports, questions witnesses, and when it has finished deliberating, passes our reports (meaning that PAC has no further questions).

The PAC must follow the rules of the Legislative Assembly. They specify:

- that PAC should focus on administration and not government policies or the rationale for government programs.
- how frequently the PAC must meet.
- the membership of the PAC.
- who the PAC may call as a witness.

Focus – the PAC has successfully focused on administration not government policy. The tone at the PAC has been non-partisan. However, the attendance of Ministers at the meetings does influence the dynamic of the meetings and creates a more political climate. This is the case for a Minister who is a member as well as a Minister who is a witness. Research and current practice in Canada suggest that PACs perform best when Ministers do not participate in either capacity.

Frequency – The PAC must hold between 6 and 8 meetings each calendar year. It held 11 public meetings in the 2012 calendar year.

Structure – the Committee is chaired by a member of the official opposition (Reg Helwer) and vice-chaired by a member of the governing party (Greg Dewar). The rules require the PAC to consist of all recognized parties proportional to the number of seats each party has in the Legislative Assembly. Ministers and official party leaders may not be members of the PAC, except for the Minister of Finance. Currently the PAC has 9 additional members including the Minister of Finance. In our view, the Minister of Finance should not be a member of the PAC.

Witnesses – the rules state that the Minister and Deputy Minister responsible for a government department may be called as witnesses. In the case of crown corporations, the Chief Executive Officer of the crown corporation (one that is permanently referred to the Crown Corporation Committee of the Legislature) may be invited in addition to the Minister. Our audits extend well beyond this list of crown corporations, to all agencies, boards and commissions (ABCs) controlled by the government, as well as recipients of public money. The rules prohibit the calling of the senior administrators for these ABCs and recipients of public money. It is our position that the witness list should be changed to allow the PAC to invite relevant parties to speak to the matters before it. As previously mentioned, we also take the position that officials should be called as witnesses and not Ministers.

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In-Camera meetings – the rules also permit in-camera meetings which are not public. They have been used to brief members of PAC before the public meeting. At the in-camera session, we give the PAC members a presentation summarizing our audit report. The PAC members can ask us some preliminary questions before the public meeting. The PAC also resolves administrative matters in-camera to help the public PAC meeting run more smoothly.

Research – the PAC has a researcher who has played a valuable role by circulating potential questions for PAC members to consider asking witnesses. The researcher also tracks and follows up outstanding matters from the PAC meetings, for example when a witness does not have the information on hand but agrees to provide it to members after the meeting.

Steering committee – the PAC has created a steering committee made up of the Chair, Vice-Chair, Clerk of the PAC, research staff and the Auditor General. The steering committee has assisted in setting the meeting agendas and preparing information for the full PAC. The Manitoba PAC requires that the government house leader call the PAC meetings. In other jurisdictions, the PAC Chair does this. It is important that all parties work together for the PAC to be effective. Since they therefore need to agree on the meeting dates and agenda, the calling of meetings is only a formality. But, it is inappropriate for the government to appear to control a non-partisan committee.

Progress – in previous reports, we described the Manitoba PAC's progress in recent years. An effective PAC framework is critical for the Legislature to hold government accountable for its administrative practices. While the PAC has made progress, it can still improve. In particular, questions tend to be asked by a limited number of opposition members. And not all PAC members actively scrutinize the reports and question the witnesses. We have seen some good examples of PAC meetings where all members have been actively involved. We hope that members make this normal practice and not an exception.

Meetings – the record of all public meetings is available on the Legislative Assembly website **http://www.gov.mb.ca/legislature/hansard/index.html**, under "committee debates". The following meetings were held since our last Operations report:

PAC meeting date	Reports under consideration	Results of the PAC
August 23, 2012	Report to the Legislative Assembly – Audits of Government Operations - *(November 2009)*: **Chapter 4: Members' Allowances**	*Completed consideration of Chapter 4, and the 2009 Audits of Government Operations passed.*
	Follow-up of Previously Issued Recommendations *(January 2012)*: **Section 15: Members' Allowances Program**	*Completed consideration of Section 15.*

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PAC meeting date	Reports under consideration	Results of the PAC
	Annual Report to the Legislature *(January 2012)*: **Chapter 2: Appointment Process to Agencies, Boards and Commissions**	*Completed consideration of Chapter 2.*
September 12, 2012	Annual Report to the Legislature *(January 2012)*: **Chapter 8: Wireless Network Security: Winnipeg Regional Health Authority and Manitoba eHealth; Manitoba Lotteries Corporation**	*Completed consideration of Chapter 8.*
October 24, 2012	Report to the Legislative Assembly – Performance Audits *(December 2010)*: **Chapter 1: Managing Climate Change**	*Did not complete consideration of Chapter 1.*
	Follow-up of Previously Issued Recommendations *(March 2011)*: **Section 3: The Protection of Well Water Quality in Manitoba**	*Completed consideration of Section 3.*
	Follow-up of Previously Issued Recommendations *(January 2012)*: **Section 2: Audit of the Department of Conservation's Management of the Environmental Livestock Program and Section 3: Audit of the Province's Management of Contaminated Sites and Landfills**	*Completed consideration of Sections 2 and 3.*
February 25, 2013	Annual Report to the Legislature *(January 2012)*: **Chapter 1: Accounts and Financial Statements: Section 10 Annual Report and Chapter 7: Taxation Division, Audit Branch: Department of Finance**	*Completed consideration of Chapters 1 and 7.*
	Operations of the Office for the fiscal year ending March 31, 2012	*The Operations of the Office report passed.*
March 20, 2013	Report to the Legislative Assembly – Performance Audits *(December 2010)*: **Chapter 2 – Economic Development: Loans and Investments under *the Development Corporation Act***	*Completed consideration of Chapter 2.*

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PAC meeting date	Reports under consideration	Results of the PAC
May 8, 2013	Annual Report to the Legislature *(January 2013)*: **Chapter 1: Accounts and Financial Statements: Section 10 Annual Report**	*Did not complete consideration of Chapter 1.*
June 25, 2013	Annual Report to the Legislature *(January 2013)*: **Chapter 5: Manitoba eHealth Procurement of Contractors**	*Did not complete consideration of Chapter 5.*
	Follow-up of Previously Issued Recommendations *(March 2011)*: **Section 1: Audit of the Pharmacare Program**	*Completed consideration of Section 1.*
	Follow-up of Previously Issued Recommendations *(January 2013)*: **Section 10: Pharmacare Program – Part 2; and Section 11: Personal Care Homes Program and Section 12: Winnipeg Regional Health Authority – Administration of the Value-Added Policy**	*Completed consideration of Sections 10, 11 and 12.*

We have issued the following reports, but the PAC has not yet passed them:

Report date	Report name
December 2010	Report to the Legislative Assembly: Performance Audits *Outstanding Chapters:* **Chapter 1: Managing Climate Change** **Chapter 4: Rural Municipality of St. Laurent**
March 2011	Follow-up of Previously Issued Recommendations
January 2012	Follow-up of Previously Issued Recommendations
January 2012	Annual Report to the Legislature *Outstanding Chapter:* **Chapter 3: Animikii Ozoson Child and Family Services Agency: First Nations of Southern Manitoba Child and Family Services Authority - *Department of Family Services and Consumer Affairs***

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Report date	Report name
September 2012	Follow-up of our December 2006 Report: Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices
June 2012	Rural Municipality of St. Clements
January 2013	Annual Report to the Legislature *Outstanding Chapters:* **Chapter 1: Accounts and Financial Statements: Section 10 Annual reports** **Chapter 2: Citizen Concerns** **Chapter 3: Information Technology (IT) Security Management** **Chapter 4: Manitoba Early Learning and Child Care Program** **Chapter 5: Manitoba eHealth Procurement of Contractors** **Chapter 6: Office of the Fire Commissioner** **Chapter 7: Provincial Nominee Program for Business** **Chapter 8: Senior Management Expense Policies**
January 2013	Follow-up of Previously Issued Recommendations

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3.0 Risk management

Risk management is the process of making and carrying out decisions that will minimize the liabilities and effects of possible adverse events (risks) on an entity's performance. We have established controls to reduce the likelihood that identified risks will impair our ability to achieve our mandate and objectives. We are actively looking for solutions to the challenges.

Independence

We need to be independent to provide objective advice to MLAs. To reduce the risk of loss – or perceived loss – of independence, we meet the standards of our professional associations. We also have policies and procedures dealing with due care and objectivity, conflict of interest, and political affiliations.

The Act states that "Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*". We have interpreted that to mean that we must follow Civil Service Commission (CSC) and Treasury Board Secretariat (TBS) policies and procedures on hiring, compensation, and classification of staff positions. The government staff that we have worked with have been helpful. But, it is inappropriate that we are subject to CSC and TBS decisions when we are also their auditor. **This is a conflict of interest**.

The relationship between our Office and government has a long history. The role of the Auditor General started in 1876 with the appointment of the first Provincial Auditor and changed in 1916 to name this position the "Comptroller-General". Throughout those years, the Office was a part of government. An independent office was established in 1969 and independence was strengthened in 2002 with the current *Auditor General Act*. However, our staff must still be appointed under *The Civil Service Act*. And staffing practices must be those of government. This includes hiring, classification, salary, union membership, and other work arrangements such as secondments.

In my view, the Office of the Auditor General cannot be truly independent until the Auditor General has greater control over all aspects of its staffing.

We have provided the Public Accounts Committee and the Legislative Assembly Management Commission with an analysis of how the staffing structure in Manitoba compares to other jurisdictions in Canada. We concluded that:

- among Canadian Legislative Audit Offices, the Manitoba Auditor General's human resource management function has the most direct involvement of the Public Service Commission/Civil Service Commission.
- the participation of the Civil Service Commission in the Manitoba Auditor General's selection boards for hiring staff is unique to Manitoba. It is also problematic.
- most legislation in Canada grants the Auditor General staffing authority – but not in Manitoba.

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Credibility

Our reputation is critical to our success. Therefore we must avoid the risk of providing inappropriate or inaccurate assurance and advice. We do this by using best practices in legislative auditing, including strong quality control practices. We welcome peer reviews from professional bodies and our legislative audit colleagues to assure the Legislature that we are meeting professional standards. We also consider Public Accounts Committee discussions to continually improve the reports we produce.

Relevance of work

For our work to benefit MLAs, we must ensure that our reports are meaningful to them. We do this by ensuring our audits deal with significant public sector issues and we communicate our audit results clearly.

We remain current on areas of strategic importance for our audit work. For instance, we maintain contact with Members of the Legislature and government officials, hold discussions with members of the Public Accounts Committee, monitor Hansard and media reports, and maintain contact with our colleagues in other jurisdictions and various professional associations we belong to.

Resources and competencies

The quality of our assurance and advice depends on the knowledge, skills and abilities of our employees. To succeed, we need to recruit and retain high quality professionals. We do this by providing a work environment that supports on-going opportunities for our staff to further develop their skills and by supporting a proper work-life balance.

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4.0 Our audit activities

Our audit activities include financial statement audits and project audits. Our output takes a variety of forms including audit opinions, audit advice, management letters, and reports to the Legislature. In addition, we make a wide variety of presentations on our work to government organizations and at conferences, symposiums, and workshops. Beyond providing observations and recommendations, our reports identify good management practices and lessons relevant to public sector organizations.

Allocation of audit time

Audit time allocations		
	2011/12	**2012/13**
Financial statement audits	52%	53%
Project audits	48%	47%
Total	100%	100%

Our goal is to spend equal time on financial statement audits and on project audits. While this is an internal goal, we believe that this reflects the wishes of the Legislature that we conduct additional non-financial-statement audit work, while meeting our statutory obligations.

The allocation of time is also affected by the size of our budget, the number of special audits we are asked to conduct under Section 16 of our Act, and the legislation that sets out the audit requirements.

We believe that the Legislature should periodically analyze our overall budget and consider how our work can best meet their needs. The following section of this report replicates Section 1.10 of Chapter 1 of our January 2013 Annual Report to the Legislature. It provides more information about the need to review the financial statement and other audits we currently conduct to set an audit mix that maximizes benefit to the Legislature.

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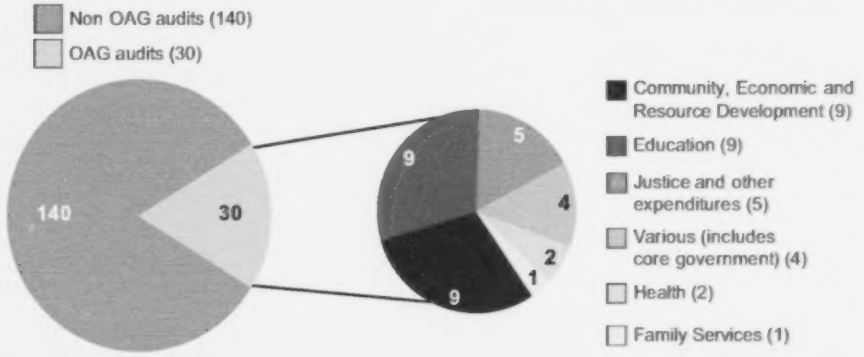
Extract from January 2013 Annual Report

1.10 Financial statements and compliance with legislative authority audits

Our office performs financial statement audits directly or uses a public accounting firm as our agent on our behalf. The remaining audits are conducted externally by a public accounting firm hired directly by the organization but are part of our external auditor review process. Many of the financial statement audits our office performs are the result of a legislative requirement.

Figure 7 illustrates our audit mix by sector. The result indicates that we audit approximately 30 of the 170 funds, organizations, pension plans and business enterprises associated with the government reporting entity.

Figure 7: OAG financial statements audits by sector



The figures below illustrate audits by significance for financial statement and pension plan audits. **Figure 8** shows our audits and external audits by expense significance for financial statements. **Figure 9** shows our audits and external audits by accrued benefit obligation for pension plans.

Of the seven financial statements audits we are responsible for (that have expenses in excess of $250 million), three are flow-through funding entities. These entities consist of the Manitoba Health Services Insurance Plan, the Public Schools Finance Board and the Council on Post-Secondary Education. We note this because the primary purpose of these entities is to fund other government entities and as a result the usefulness of these financial statements is limited.

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Figure 8: Financial statement audit responsibility		
Expenses (in $ millions)	**OAG audits**	**External auditor**
$0 to $5	9	34
$5 to $50	6	67
$51 to $250	2	25
> $250	7	2
Government Business Enterprises	0	6
Total	**24**	**134**

Figure 9: Pension plan audit responsibility		
Accrued benefit obligation (in $ millions)	**OAG audits**	**External auditor**
$0 to 1,000	3	6
> $1,000	3	0
Total	**6**	**6**

We also complete a number of federal claim, compliance with legislative authority and other audits.

Our audit mix is determined largely by legislation as opposed to a risk based approach. As a result, our office resources are used to audit entities that may be considered lower risk relative to other government entities.

We recommended that the government complete a review of the financial statement and other audits our office currently completes to ascertain an audit mix that maximizes the benefit to the Legislature.

Financial statement audits

Strong financial stewardship by government organizations is critical. One of the central ways we support financial accountability is through the annual audit opinions we provide on the financial statements of government organizations and the Public Accounts of the Province. We promote transparency, as well as fair and accurate representation in public sector budgets and financial reporting.

Financial statement audit activities include:

- performing the necessary examinations to provide audit opinions on annual financial statements, special reports, and public sector compensation disclosures as well as

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management letters with recommendations on financial management, internal control, compliance, and general operations.

- conducting overviews of government entities included in the Province's Summary Financial Statements, which may also encompass file reviews of the work conducted by private sector auditors. We decide how much work is necessary for us to rely on the private sector auditors.
- issuing special reports on financial information, including claims.
- reviewing compliance with legislation to the extent required to issue financial statement opinions.
- working with private-sector audit firms that we have hired as our agents to conduct some of our financial statement attest audits.
- reporting to the Legislature about the examinations and audits under Section 9 of *The Auditor General Act*, including anything resulting from the work that we consider should be brought to the Assembly's attention.

Projects

Projects consist of value-for-money audits, investigations, information technology audits, and governance reviews.

Value-for-money audits
Value-for-money audits examine programs and services to measure performance and opportunities for improving operations and ultimately results. In carrying out value-for-money audits, we examine management practices, operating systems, processes, and control mechanisms. Some of our value-for-money audits are cross-government. For example, we may examine a given topic of strategic importance across departments or across other types of government organizations, such as crown corporations.

Investigations
The typical reason for an investigation is to confirm or dispel allegations. In addition to investigating the allegations, these projects incorporate value-for-money considerations. The investigations team members are experienced forensic accountants who find out what happened and why, and then recommend how to avoid similar situations.

Matters are brought to our attention throughout the year by concerned members of the public, the legislature or government employees. During 2012/13, 76 such matters came to our attention (2011/12: 66 matters). We conduct preliminary examinations of all such matters. Then we decide which ones are within our mandate and which ones are better investigated by another organization, such as the Office of the Ombudsman. When the matter is within our mandate, we conduct a limited-scope audit.

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Information technology audits
Our information technology team assists all the audit groups as needed. The team plans and performs audit work to support financial statement audits primarily by auditing general computer controls and helping with data analysis. It also directly conducts IT audit projects in high-risk areas.

Governance reviews
We review and assess issues related to the corporate governance of public sector boards of directors, and give presentations and workshops on request. Effectiveness of public sector governance practices contributes to improved organizational performance and stronger accountability processes.

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5.0 Highlights of output for 2012/13

Financial statement audits

- We provided audit opinions or overviews of 170 government organizations' financial statements (Appendix B lists financial statement audits that we and private sector firms conducted). And we provided audit opinions on government organizations' compliance with reporting requirements of *The Public Sector Compensation Disclosure Act*. In addition to the Summary Financial Statements for the Public Accounts, we audit about 40 entities that are part of the Government Reporting Entity (GRE) as well as the government sponsored pension plans.
- We hire agents to conduct audits for us when this helps with scheduling and is warranted by the risk of the audit – currently we use agents for about half of our entity financial statement audits. External auditors are also appointed directly by about 130 other crown organizations, government enterprises, and special operating agencies. We conduct overview procedures for these other audits to meet our responsibilities in this area.
- We issued our report on the Audit of the Public Accounts for the year ended March 31, 2012. This was Chapter 1 of our Annual Report to the Legislature issued January 2013. Our report included the following highlights:
    - For 2011/12 the Province received an unqualified audit opinion on its Summary Financial Statements. This means that the summary statements present fairly, in all material respects, the financial position and results of operations and cash flow in accordance with Canadian public sector accounting principles.
    - At the end of each of our financial statement audits, we communicate possible improvements to senior management of the Province or to senior management and the board of directors of the organization we audited. If action has not been taken after a reasonable time or if the Legislature should know about the matter immediately, we include that information in our report.

Projects

In September 2012, we issued a follow-up report on our December 2006 *Audit of the Child and Family Services Division Pre-Devolution Child in Care Processes and Practices*. This report differs from our regular follow-up reports in that, for each recommendation, we describe the underlying issue and the significant actions the Department of Family Services and Labour has taken. A different report style was needed because of the use of the follow-up report by the *Commission of Inquiry into the Circumstances Surrounding the Death of Phoenix Sinclair* (the Commission was mandated to consider our 2006 report).

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And in January 2013, we issued 2 public reports. One was a follow-up report of previously issued recommendations. The other was our Annual Report to the Legislature with 8 chapters as follows:

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Chapter 3: Information Technology Security Management Practices – *Department of Innovation, Energy and Mines, Treasury Board Secretariat, Department of Finance and Civil Service Commission*

Chapter 4: Manitoba Early Learning and Child Care Program – *Department of Family Services and Labour*

Chapter 5: Manitoba eHealth Procurement of Contractors – *Winnipeg Regional Health Authority*

Chapter 6: Office of the Fire Commissioner – *Departments of Family Services and Labour, and Finance*

Chapter 7: Provincial Nominee Program for Business – *Department of Entrepreneurship, Training and Trade*

Chapter 8: Senior Management Expense Policies – *Government Wide and Treasury Board Secretariat*

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6.0 Our planned activities for 2013/14

Financial statement audits

We anticipate no changes to the list of financial statements that we will audit in 2013/14.

Projects

The Auditor General Act requires us to report on our examinations and audits at least once each year. The Act also permits a special report to the Assembly on any matter of pressing importance or urgency that should not wait until the annual report. We will issue our audit on the Rural Municipality of Lac du Bonnet as soon as it is completed. We plan to issue our next annual audit report in March 2014. We had been issuing this report in January for the past few years, but we decided to delay it slightly in 2014 to include as many completed projects as possible before my departure.

Over the next year, we will provide the Legislature with our annual report on the results of our audits of the accounts and financial statements as our Act requires. We will also complete our annual follow-up report with the status of previous recommendations.

We are continuing our audit work on the following project audits:

- Debts and deficits – a summary of the financial information and a discussion of the key factors that Legislators deciding on and assessing economic policies should consider.
- Framework for an ethical environment in government – the government's framework for ensuring all public servants have a strong understanding of the values and ethical expectations in the civil service.
- Industrial control systems – Manitoba Hydro's management of the cyber risks related to industrial control systems.
- Investigation of ATM fraud at Misericordia Health Centre and the Winnipeg Regional Health Authority's follow-up. (To date, we have been unable to obtain a copy of the forensic audit report prepared for the Misericordia Health Centre.)
- Lake Manitoba Financial Assistance Program – the Department of Agriculture, Food and Rural Initiative's processes for managing certain types of 2011 flood claims.
- Managing the Province's Adult Offenders – the Department of Justice's systems and practices for managing adult correctional centre capacity, adult offenders in the community, and adult rehabilitation programs, plus related public performance reporting.
- MIT - Northern Airport – A forensic review of financial irregularities found within the Northern Airport in the Department of Infrastructure and Transportation.
- Rural Municipality of Lac du Bonnet – the RM's compliance with legislation and administrative practices.

Web Version

- STARS air ambulance contract – the Department of Health's process to award the contract.
- Summary of results from investigations into citizen concerns.
- Waiving of Competitive Bids – the procurement practices at 5 departments and 3 special operating agencies (to ensure the waiving of competitive bids did not cause uneconomic or inequitable purchase of goods and services).

Last year we reported that we will need to develop a process to review any reports sent to us under *The Public-Private Partnerships Transparency and Accountability Act*. We hired external consultants to help us develop our process. We have prepared a summary which we will send to appropriate officials and place on our website.

Web Version

7.0 How we carry out our work

This section briefly describes key aspects of how we operate to generate independent assurance and advice under our mandate. The following operating principles guide us in carrying out our work:

Operating principles

Independence
We conduct our work in an objective and unbiased manner.

Balanced perspective
We put forth well considered and fair conclusions based on analysis of all opinions and where appropriate, report on strengths as well as weaknesses.

Teamwork
We work together cooperatively and in a coordinated manner to achieve a common goal.

Accountability
We are accountable for our individual contributions to the products and services we provide.

Value-added work
We provide the Legislative Assembly with value-added reports.

Professional conduct
We follow the Office values of respect, honesty, integrity, and openness.

Professional excellence
We maintain sound audit methodology and meet the professional standards and competency requirements of our Office.

Financial stewardship
We use taxpayers' money efficiently and effectively.

Professional activities

Staff participate in several professional associations to contribute to the professional environment and to stay up-to-date. Most audit staff hold designations from one of the following organizations: The Institute of Chartered Accountants of Manitoba (ICAM), Certified General Accountants of Manitoba (CGA) and the Certified Management Accountants of Manitoba (CMA). Other staff have Diplomas in Investigative and Forensic Accounting, hold Certified Fraud Examiner designations, Masters in Public Administration degrees, are Certified Information Systems Security Professionals, and Certified Information System Auditors.

Web Version

Greg MacBeth is a member of the Office Practice Assistance Committee of ICAM and Sandra Cohen participated on the Council of ICAM. Jo Johnson is on the CGA's Practice Review Committee.

We participate in the standard-setting process by providing our comments on accounting and auditing and assurance standards being proposed for the public sector in Canada. As well, I was a member of Canada's Auditing and Assurance Standards Board, and was appointed to represent the Canadian Institute of Chartered Accountants on the International Federation of Accountants in November.

Eight staff members – Natalie Bessette-Asumadu, Corey Charman, Bradley Keefe, Fraser McLean, Pavel Peleg, Jon Stoesz, Erica Suderman and Marcia Vogt helped the CA School of Business (CASB) as facilitators and Uniform Final Evaluation (UFE) exam markers. Jeff Gilbert helped CASB by writing exam questions and tutorials. He was also a guest lecturer and business case judge at the University of Manitoba. Fraser McLean also helped with the development of the new Certified Professional Accountant (CPA) program.

Staff also belong to in the Institute of Internal Auditors, Financial Management Institute, Institute of Public Administration of Canada (IPAC), and the Institute of Corporate Directors (ICD). I serve on the Advisory Committee and Maria Capozzi serves on the Chapter Executive of the local chapter of the ICD. Maria Capozzi also sits on the Board Governance Sub-Committee of QNET - Manitoba Quality Network. Maria Nyarku was on the board of IPAC Manitoba as the New Professionals Director and is Editor of the IPAC Manitoba newsletter, *ImPACt*. Sandra Cohen is on the Board of Directors for the Winnipeg chapter of the Internal Audit Association.

The Office was invited to give a number of governance presentations to public sector organizations including the Regional Health Authorities and the Manitoba Arts Council, as well as at a luncheon of the Manitoba Council of Women Lifetime Members. In August 2012, we were invited to conduct a governance workshop at the National Conference of the Canadian Society of Corporate Secretaries in Vancouver BC.

Our designation as an articling office

We support students seeking professional accounting designations and are recognized by the Institute of Chartered Accountants of Manitoba as an audit training office. We provide an environment of continuous learning that reinforces professional skill development. Our Student Recruitment and Development Committee offers motivated, knowledgeable and engaged mentors to assist students as they successfully transition from the academic world into the accounting profession.

We take great pride when our students achieve their academic goals. In 2012/13, we recognized the accomplishments of Leah Lin and Melanie Torre-Cabacungan as they attained their Certified General Accountant designations. In addition, we recognized the

Web Version

accomplishments of Scott Newall and Scott Fraser, who successfully challenged the Uniform Final Examination in pursuing their Chartered Accountant designations.

Our Office is well positioned to expose students to a wide range of diverse, challenging and rewarding assignments across the provincial public sector. This unparalleled experience creates a unique career opportunity to train professional accountants choosing a career that serves the people of Manitoba.

CCOLA

The Office is a member of the Canadian Council of Legislative Auditors (CCOLA), consisting of the Auditors General from each jurisdiction across Canada. We meet twice a year to discuss emerging issues and share practices in carrying out our mandate as legislative auditors. CCOLA has established several working committees and groups. Our staff are represented on these committees and groups. Participation with CCOLA benefits the legislative audit community by giving us access to each others' knowledge, information, and expertise. In 2012/13 we participated in the following CCOLA committees and groups:

- Peer Review Committee (Greg MacBeth)
- Planning and Coordinating Committee (Carol Bellringer)
- Strategic Matters Committee (Norm Ricard)
- Training Oversight Committee (Grant Voakes)
- Education Study Group (Vernon DePape)
- Environment, Energy and National Resources Group (Larry Lewarton)
- Governance Study Group (Maria Capozzi)
- Health Study Group (Grant Voakes)
- Human Resources Group (Norm Ricard)
- Information Technology Administration Group (Shirley Richardson)
- Information Technology Group (Fraser McLean and Doug Harold)
- Infrastructure Group (Erika Thomas).

The Provincial Auditors General entered into a memorandum of understanding with the Office of the Auditor General of Canada to benefit from the services of a National Professional Practices Group (NPPG). The NPPG provides us with technical accounting and auditing advisory services and training support, on an as-needed basis.

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8.0 Financial accountability

Our finances

The Legislative Assembly Management Commission (LAMC), an all-party Legislative Committee, reviews and approves our annual budget. LAMC is also responsible for approving the auditor selected to audit our financial statements. Craig & Ross Chartered Accountants, were appointed to conduct the financial statement audit of our Office for the period 2011/12 to 2015/16. Our accounts are included in the Province's Public Accounts. Because we are the auditors of the Public Accounts, the appointment of an external party to audit our accounts is necessary to ensure we do not audit ourselves.

The Auditor General Act requires an annual audit of the Auditor General's Office in Section 26(1) as follows:

> 26(1): Each year, an auditor whose appointment is approved by the Legislative Assembly Management Commission must examine the accounts of the office of the Auditor General and prepare a report. The Commission may also direct the auditor to conduct an audit respecting any of the matter listed in subsection 14(1).

Our budget process

Under Section 27(3) of *The Auditor General Act*, we receive funding from the Legislative Assembly appropriations. The Auditor General annually presents to the LAMC an estimate of the money we require for the upcoming year.

We maintain a bank account to pay our operating expenses. The Province provides advances up to the amounts the LAMC has approved. The bank balance at March 31, 2013 was $87,671.

During the year ended March 31, 2013, we operated within our allocated funding and returned the unspent balance to the Consolidated Fund under Section 27 (4) of *The Auditor General Act*.

Basis of reporting

Starting in 2011/12, we began preparing our financial statements using a disclosed basis of accounting as Note 2 to the financial statements describes. This was done to give the Legislature information that is understandable and yet sufficiently detailed. Our financial statements describe how the money authorized was spent and how the actual revenue compared to the estimate.

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The categories in the statement of expenditures are those shown in the Province's Public Accounts under Appropriation 1.6. The financial statements note that pension, vacation, overtime and severance costs are prepared on a cash basis. This means that they do not include any associated amounts for these benefits that have been earned but not yet paid. These unearned benefits are accruals included in the Public Accounts, but they are calculated on a global basis for all provincial employees, not at the appropriation level.

Year's operations

Overview of 2012/13 financial results

- Net expenditures increased $356,652 over the prior year primarily due to higher professional fees and salary and benefit costs. The increase in professional fees reflects costs related to consultants hired to work on the P3 and debt/deficits studies. In addition, we made greater use of contract audit staff to cover for staff on maternity leave. Higher salary costs reflect general salary increases, merit increases, promotions, filling of vacancies and severance and vacation payouts on retirement. These costs were partly offset by savings related to maternity leaves and staff departures.
- Other costs, excluding salaries, benefits and professional fees declined from the previous year's level.
- We finished the 2012/13 fiscal year $136,070 under budget.
- Net revenues rose modestly, by $5,473 over the prior year.

Web Version

Management's responsibility for financial statements

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2013 are the responsibility of management of the Office. Management has prepared the financial statements to comply with *The Auditor General Act* and in accordance with the basis of accounting described in the notes to the financial statements and, where appropriate, reflect management's best estimates and judgements. The financial information presented elsewhere in this Operations report is consistent with that in the financial statements.

The Office maintains appropriate systems of internal control, policies and procedures which provide management with reasonable assurance that assets are safeguarded and the financial records are reliable and form a proper basis for the preparation of the financial statements.

The financial statements have been audited by the firm of Craig & Ross Chartered Accountants, in accordance with Canadian generally accepted auditing standards. Their report to the Members of the Legislative Assembly expresses their opinion on the financial statements of the Office.

Carol Bellringer, FCA, MBA
Auditor General
June 18, 2013

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Auditor's report

CRAIG & ROSS
CHARTERED ACCOUNTANTS

June 18, 2013

INDEPENDENT AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of Office of the Auditor General of Manitoba, which comprise the statements of revenue and expenditures for the year ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the disclosed basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

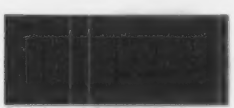
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the revenue and expenditures of the Office of the Auditor General of Manitoba, for the year ended March 31, 2013 in accordance with the basis of accounting described in Note 2.



Chartered Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

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Statement of revenue

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Revenue

March 31, 2013

	Amount Estimated	Actual	Budget Variance
Main estimate	$ 450,000	$ -	$ -
Non-agency audit fees deposited	-	542,534	-
NET BEFORE ACCRUAL ADJUSTMENTS	450,000	542,534	$ 92,534
YEAR-END ACCRUAL ADJUSTMENTS	-	394,898	
NET	$ 450,000	$ 937,432	

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Statement of expenditures

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Statement of Expenditures

March 31, 2013

	Amount Authorized	Amount Expended	Unexpended Balance
Main estimate	$ 6,582,000	$ -	$ -
Personnel services	-	4,600,466	-
Transportation	-	45,741	-
Communication	-	110,984	-
Supplies and services	-	1,110,367	-
Debt servicing	-	240	-
Other operating	-	424,175	-
Minor capital	-	153,957	-
NET BEFORE ACCRUAL ADJUSTMENTS	6,582,000	6,445,930	$ 136,070
YEAR-END ACCRUAL ADJUSTMENTS	-	301,788	
NET	$ 6,582,000	$ 6,747,718	

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Notes to financial statements

OFFICE OF THE AUDITOR GENERAL OF MANITOBA

Notes to Financial Statements

Year Ended March 31, 2013

1. NATURE OF OPERATIONS AND ECONOMIC DEPENDENCE

The Auditor General is appointed under The Auditor General Act (Chapter 39) as an officer of the Legislature. The Act provides for the establishment of the Office of the Auditor General of Manitoba (the Office) and sets out the authority and powers of the Auditor General, identifies the audit services to be provided, and establishes reporting responsibilities.

The Office is economically dependent on the Province of Manitoba. The annual estimates for the operations of the Office are approved by the Legislative Assembly Management Commission and are included in the Government's estimates which are voted through the Appropriation Act by the Legislative Assembly. The expenditures of the Office are reflected in the Public Accounts of the Province.

2. SIGNIFICANT ACCOUNTING POLICIES

The Auditor General Act requires an annual audit of the accounts of the Office of the Auditor General. Accordingly, these financial statements report on the accounts of the Office and reflect the following accounting policies:

Revenue

The Statement of Revenue is prepared on an accrual basis. An accrual adjustment of $394,898 has been recorded to reflect $28,402 of 2011/2012 audit fees deposited in 2012/2013, $10,717 of 2012/2013 audit fees not yet deposited and $412,583 in contract audit fee revenue. Contract audit fees are deposited directly to the Office's bank account and used to pay auditors engaged to conduct audits on behalf of the Office of the Auditor General.

Expenditures

The Statement of Expenditures is prepared on the accrual basis, except for pension, vacation, severance and overtime costs which are prepared on the cash basis. An accrual adjustment of $301,788 has been recorded to reflect an additional $110,795 drawn from the appropriation in excess of recoverable expenditures and $412,583 of contract audit costs. $412,583 of contract audit costs were incurred and recovered through fees charged to clients.

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OFFICE OF THE
AUDITOR GENERAL
MANITOBA

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Appendices

Appendix A - The Auditor General Act

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For the official version, please contact Statutory Publications.

C.C.S.M. c. A180

The Auditor General Act

Table of Contents

(Assented to July 6, 2001)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of Manitoba, enacts as follows:

PART 1

DEFINITIONS

Definitions

1 In this Act,

"department" means a department or branch of the government; (« ministère »)

"external auditor" means a professional auditor or firm of professional auditors appointed to audit the financial statements of a government organization; (« vérificateur externe »)

"government organization" means a department, government agency or fund included in the summary financial statements of the government reporting entity referred to in clause 65(1)(b) of *The Financial Administration Act*; (« organisme gouvernemental »)

"public money" means public money as defined in *The Financial Administration Act*; (« fonds publics »)

"recipient of public money" means

(a) a person, organization or other body

(i) that has received, directly or indirectly, a grant, loan or advance from the government or a government organization,

(ii) to whom the government or a government organization has transferred property for no consideration or consideration substantially less than its fair market value, or

(iii) for whom the government or a government organization has guaranteed the performance of an obligation or given an indemnity,

(b) a business entity or organization that has received a tax credit under a Manitoba law, or

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(c) a business entity or organization that has issued a share, debt obligation or other security, if a person is eligible for a tax credit under a Manitoba law in respect of that acquisition or ownership of the security,

but does not include a government organization. (« bénéficiaire de fonds publics »)

PART 2

AUDITOR GENERAL

Appointing the Auditor General
2(1) On the recommendation of the Standing Committee of the Assembly on Legislative Affairs, the Lieutenant Governor in Council must appoint an Auditor General of Manitoba, as an officer of the Assembly, to provide the Assembly with independent information, advice and assurance under this Act.

Role respecting government policy objectives
2(2) Nothing in this Act is to be interpreted as entitling the Auditor General to question the merits of policy objectives of government.

S.M. 2004, c. 42, s. 97.

Appointment process
3(1) The President of the Executive Council must convene a meeting of the Standing Committee on Legislative Affairs if

(a) the office of Auditor General is vacant;

(b) the term of the Auditor General in office will expire within 12 months; or

(c) the Auditor General has resigned and the resignation takes effect within 12 months.

Recommendations of committee
3(2) The Standing Committee on Legislative Affairs must consider candidates for the position of Auditor General and make recommendations to the President of the Executive Council.

Meetings of committee
3(3) To carry out its responsibilities, the Standing Committee on Legislative Affairs may meet during a session of the Legislature or during a recess after prorogation.

No other public office
3(4) The Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

S.M. 2004, c. 42, s. 97.

Term
4 The Auditor General is to hold office during good behaviour for a term of 10 years, and may be reappointed for further terms of 10 years each.

Salary
5(1) The Auditor General must be paid a salary within the range of salaries paid to senior deputy ministers in the civil service, and is entitled to the same privileges of office as a senior deputy minister.

No reduction in salary

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5(2) The Auditor General's salary must not be reduced except by a resolution of the Assembly carried by a vote of 2/3 of the members voting.

Civil Service Superannuation Act applies
6(1) The Auditor General is an employee within the meaning of *The Civil Service Superannuation Act*.

Civil Service Act does not apply
6(2) *The Civil Service Act*, except sections 42 and 43, does not apply to the Auditor General.

Suspension or removal
7(1) The Lieutenant Governor in Council may suspend or remove the Auditor General from office on a resolution of the Assembly carried by a vote of 2/3 of the members voting.

Suspension if Assembly not sitting
7(2) When the Assembly is not sitting, the Lieutenant Governor in Council may suspend the Auditor General for cause, if advised to do so in writing by a majority of a committee consisting of the President of the Executive Council and the recognized leaders of the members belonging to the political parties in opposition. But a suspension imposed when the Assembly is not sitting may not continue beyond the end of the next sitting.

Deputy Provincial Auditor General
8(1) On the Auditor General's recommendation, the Lieutenant Governor in Council may appoint a Deputy Auditor General in accordance with *The Civil Service Act*.

Duties
8(2) If the Auditor General is absent or unable to act or if the office is vacant, the Deputy Auditor General has the powers and must carry out the responsibilities of the Auditor General.

Salary in certain cases
8(3) During any period that the Deputy Auditor General must assume the Auditor General's responsibilities for an extended period, the Lieutenant Governor in Council may direct that the Deputy be paid a salary within the same range as the Auditor General.

No other public office
8(4) The Deputy Auditor General may not be nominated for, be elected as, or sit as a member of the Assembly, and may not hold any other public office or engage in any partisan political activity.

PART 3

RESPONSIBILITIES OF THE AUDITOR GENERAL

AUDIT OF ACCOUNTS AND FINANCIAL STATEMENTS

Audit of government accounts
9(1) The Auditor General is the auditor of the accounts of the government, including those relating to the Consolidated Fund, and must make any examinations and inquiries that he or she considers necessary to enable the Auditor General to report as required by this Act.

Audit of other public money
9(2) The Auditor General is responsible for examining and auditing public money that is not part of the Consolidated Fund, unless an Act provides otherwise.

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Audit of the Public Accounts
9(3) The Auditor General is responsible for examining and auditing the financial statements included in the Public Accounts under *The Financial Administration Act*, and any other statements the Minister of Finance presents for audit.

Opinion about the Public Accounts
9(4) The Auditor General must express an opinion as to whether the financial statements included in the Public Accounts fairly present information in accordance with the accounting policies of the government stated in the Public Accounts and on a basis consistent with that of the preceding year, and must set out any reservations the Auditor General might have.

Report to ministers
9(5) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly under subsection 10(1).

Advice to officials
9(6) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

Annual report to Assembly
10(1) No later than December 31 in each year, the Auditor General must report to the Assembly about the examinations and audits conducted under section 9.

Content of the report
10(2) The report must indicate anything resulting from the work of the Auditor General that he or she considers should be brought to the Assembly's attention, including, but not limited to, circumstances in which

(a) required information was not provided or was not provided within a reasonable time;

(b) accounts were not properly kept or public money was not fully accounted for;

(c) essential records were not maintained, or the rules and procedures applied were insufficient, to

(i) safeguard and control public property,

(ii) secure an effective check on the assessment, collection and proper allocation of revenue, or

(iii) ensure that expenditures were made only as authorized;

(d) public money was expended for purposes other than those for which it was appropriated by the Legislature;

(e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with.

Report may include recommendations
10(3) The report may include any recommendation the Auditor General wishes to make, and may

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Appendix A (cont'd)

draw attention to and make recommendations about any audit conducted by an external auditor under section 12.

SPECIAL REPORT TO ASSEMBLY

Special report to Assembly
11 The Auditor General may make a special report to the Assembly on any matter of pressing importance or urgency that he or she considers should not be deferred until the next annual report under section 10 is presented.

AUTHORITY OVER EXTERNAL AUDITORS

Scope of an external audit
12(1) When an external auditor is appointed to audit the financial statements of a government organization, the Auditor General may require the external auditor to give the Auditor General a description of the proposed scope of the audit before the audit is begun. The Auditor General may then require changes to be made in the scope of the audit.

Further directions
12(2) Before an external auditor issues an audit opinion on the financial statements of a government organization, the Auditor General may require the external auditor to

(a) give the Auditor General a copy of the proposed audit opinion, the financial statements, and any recommendations arising out of the audit of the financial statements; and

(b) conduct additional examinations relating to the financial statements.

Audit working papers
12(3) The Auditor General may require an external auditor to give the Auditor General a copy of the audit working papers.

Audit opinion
12(4) As soon as an audit is completed, an external auditor must give the Auditor General a copy of the audit opinion on the financial statements of a government organization and any recommendations arising out of the audit of the financial statements.

Reliance on external auditor's report
13 In order to fulfil his or her responsibilities as the auditor of the government's accounts, the Auditor General may rely on the report of an external auditor of a government organization or of a subsidiary of a government organization.

AUDIT OF OPERATIONS

Audit of operations
14(1) In carrying out his or her responsibilities under this Act, the Auditor General may examine and audit the operations of a government organization with regard to any of the following matters:

(a) whether financial and administrative provisions of Acts, regulations, policies and directives have been complied with;

(b) whether public money has been expended with proper regard for economy and efficiency;

(c) whether the Assembly has been provided with appropriate accountability information;

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Appendix A (cont'd)

(d) whether the form and content of financial information documents is adequate and suitable.

Report to ministers
14(2) At least once in each year, the Auditor General shall make a report about the examinations and audits conducted under this section to the minister responsible for each government organization concerned and to the Minister of Finance. The Auditor General must allow at least 14 days for those ministers to review and comment on the report before finalizing it for submission to the Assembly.

Report to officials
14(3) The Auditor General may advise appropriate officers and employees of matters discovered in conducting examinations and audits under this section.

Report to Assembly
14(4) The Auditor General must report to the Assembly annually on the work carried out under this section, and may bring to the Assembly's attention anything he or she considers necessary, including recommendations.

AUDIT OF RECIPIENT OF PUBLIC MONEY

Audit of recipient of public money
15(1) The Auditor General may conduct an examination and audit in respect of public money received by a recipient of public money, including the matters listed in subsection 14(1), and may require the recipient to prepare and give to the Auditor General the financial statements setting out the details of the disposition of the public money received.

No obstruction
15(2) No person shall obstruct or provide false or misleading information to the Auditor General or a person employed under the Auditor General in conducting an examination or audit under this section, or conceal or destroy any records or things relevant to an examination or audit.

Offence
15(3) A person who contravenes subsection (2) is guilty of an offence and is liable on summary conviction to a fine of not more than $10,000.

Reliance on report of other auditor
15(4) The Auditor General may rely on the report of an auditor appointed by a recipient of public money.

SPECIAL AUDIT ON REQUEST

Special audit on request
16(1) When requested to do so by the Lieutenant Governor in Council or the Minister of Finance, or by resolution of the Standing Committee on Public Accounts, the Auditor General may examine and audit the accounts of a government organization, recipient of public money or other person or entity that in any way receives, pays or accounts for public money. But the Auditor General is not obliged to do so if he or she is of the opinion that it would interfere with the primary responsibilities of the Auditor General.

Report
16(2) The Auditor General must report the findings of an audit under this section to the person or body that requested the audit and to the minister responsible for any government organization concerned.

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Report submitted to the Assembly
16(3) The Auditor General may submit a report of an audit under this section to the Assembly if it is in the public interest to do so, but must allow at least 14 days for the minister responsible for the government organization and the Minister of Finance to review and comment on the report before finalizing it for submission to the Assembly.

JOINT AUDIT

Joint audit
17 With respect to public money that is spent jointly, the Auditor General may undertake a joint audit with the Auditor General of Canada, an Auditor General or Provincial Auditor of another province or territory, or an auditor of a municipality.

PART 4

POWERS OF THE AUDITOR GENERAL

Access to records
18(1) Despite any other Act, the Auditor General is entitled to access at all reasonable times to the records of any government organization that are necessary for the purpose of this Act.

Access to information
18(2) The Auditor General may require and is entitled to receive any information necessary for the purpose of this Act from

(a) any person in the public service or formerly in the public service;

(b) any current or former director, officer, employee or agent of a government organization or of a recipient of public money; or

(c) any other person, organization or other body that the Auditor General believes on reasonable grounds may have information relevant to an examination or audit under this Act.

No access to Cabinet confidences
18(3) Despite subsections (1) and (2), the Auditor General shall not have access to information described in subsection 19(1) of *The Freedom of Information and Protection of Privacy Act*, except in the circumstances mentioned in subsection 19(2) of that Act.

Part V of Evidence Act powers
19 The Auditor General or his or her delegate may examine any person on oath on any matter that the Auditor General considers relevant to an examination and audit under this Act, and for that purpose the Auditor General or delegate has the powers of a commissioner appointed under Part V of *The Manitoba Evidence Act*.

Staff in government organizations
20 To carry out responsibilities under this Act more effectively, the Auditor General may place a person or persons employed under the Auditor General in any government organization, and the organization must provide the necessary office accommodation.

Security requirements
21 The Auditor General must ensure that every person employed under the Auditor General who is to examine records of a government organization complies with any security requirements applicable to persons employed in that organization.

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Appendix A (cont'd)

PART 5

GENERAL PROVISIONS

STAFF AND OFFICE OF THE AUDITOR GENERAL

Staff appointed under Civil Service Act
22(1) Officers and employees necessary to enable the Auditor General to perform his or her duties must be appointed in accordance with *The Civil Service Act*.

Civil Service Superannuation Act applies
22(2) Officers and employees of the Auditor General, including the Deputy Auditor General, are employees within the meaning of *The Civil Service Superannuation Act*.

Office of the Auditor General
23 The Auditor General is responsible for the internal operations of his or her office and for the persons employed under the Auditor General. For those purposes, the Auditor General may

(a) establish office policies and procedures consistent with practices followed by the government;

(b) charge fees for services provided by the office on a basis approved by the Lieutenant Governor in Council;

(c) delegate to any person employed under the Auditor General any responsibility or power that the Auditor General has under this Act, other than the responsibility to report to the Assembly;

(d) maintain an independent bank account; and

(e) contract for professional services.

CONFIDENTIALITY

Confidentiality
24(1) The Auditor General and everyone employed under the Auditor General shall preserve secrecy concerning all matters that come to their knowledge in the course of their work under this Act, and shall not communicate those matters to any person unless required to do so in connection with the proper administration of this Act or a proceeding under this Act, or in a court of law.

Exception
24(2) Nothing in subsection (1) limits the Auditor General's right to report under this Act on the conclusions of an examination or audit.

Working papers confidential
25 The working papers relating to an examination or audit by the Auditor General or a person employed under the Auditor General are confidential and must not to be laid before the Assembly or any committee of the Assembly.

ANNUAL REPORT OF AUDITOR GENERAL'S OFFICE

Annual audit of Auditor General's office
26(1) Each year, an auditor whose appointment is approved by the Legislative Assembly Management Commission must examine the accounts of the office of the Auditor General and prepare

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Appendix A (cont'd)

a report. The Commission may also direct the auditor to conduct an audit respecting any of the matters listed in subsection 14(1).

Annual report
26(2) Before August 1 each year, the Auditor General must report to the Assembly on the operations of his or her office. The report must include

(a) information on the performance of the office; and

(b) the report on the annual audit under subsection (1).

ESTIMATES

Estimates
27(1) The Auditor General shall present annually to the Legislative Assembly Management Commission estimates of the amount of money that will be required for the purpose of this Act.

Special report
27(2) The Auditor General may make a special report to the Assembly if he or she thinks that the amount of money provided in the estimates submitted to the Legislature is inadequate.

Money
27(3) The money required for the purpose of this Act is to be paid out of the Consolidated Fund from money authorized by an Act of the Legislature.

Unexpended money to be paid into Consolidated Fund
27(4) All money which has been authorized by an Act of the Legislature to be paid and applied for the purposes of this Act that remains unexpended at the end of the fiscal year must be paid to the Minister of Finance and becomes part of the Consolidated Fund.

TABLING REPORTS IN THE ASSEMBLY

Tabling reports in the Assembly
28(1) When making a report to the Assembly under this Act, the Auditor General must submit the report to the Speaker. The Speaker must lay a copy of it before the Assembly within 15 days after receiving it if the Assembly is sitting or, if it is not, within 15 days after the beginning of the next sitting.

Distribution to members of the Assembly
28(2) On receiving a report under this Act, the Speaker must direct that copies be sent to the members of the Assembly.

Referral to Public Accounts Committee
28(3) A report to the Assembly under this Act stands referred to the Standing Committee on Public Accounts.

PROTECTION FROM LIABILITY

Protection from liability
29 No proceeding may be instituted against the Auditor General, the Deputy Auditor General, or any person employed under the Auditor General,

(a) for any act done in good faith in the performance or intended performance of a duty or in the

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Appendix A (cont'd)

exercise or intended exercise of a power under this or any other Act or regulation; or

(b) for any neglect or default in the performance or intended performance or in the exercise or intended exercise in good faith of a duty or power described in clause (a).

TRANSITIONAL, CONSEQUENTIAL, REPEAL AND COMING INTO FORCE

Transitional

30 *The Provincial Auditor appointed under* ***The Provincial Auditor's Act*** *continues in office as the Auditor General under this Act as if appointed under this Act for a term that expires on the day the appointment under* ***The Provincial Auditor's Act*** *would expire.*

31

NOTE: The Schedule referred to in this section contained consequential amendments to other Acts that are now included in those Acts.

Repeal

32 *The Provincial Auditor's Act*, R.S.M. 1987, c. P145, is repealed.

C.C.S.M. reference

33 This Act may be referred to as chapter A180 of the *Continuing Consolidation of the Statutes of Manitoba.*

Coming into force

34 This Act comes into force on a day fixed by proclamation.

NOTE: S.M. 2001, c. 39 was proclaimed in force May 1, 2002.

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Cooperative Promotion Board
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University of Winnipeg

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Manitoba Habitat Heritage Corporation
Manitoba Horse Racing Commission
Manitoba Housing and Renewal Corporation
Manitoba Water Services Board
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Collège universitaire de Saint-Boniface
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Crown Corporations Council
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First Nations of Southern Manitoba Child & Family Services Authority
General Child and Family Services Authority
Insurance Council of Manitoba
Manitoba Arts Council
Manitoba Boxing Commission
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Taking Charge!
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